United States Department of the Interior

MINERALS MANAGEMENT SERVICE
Royalty Management Program
P.O. Box 25165
Denver, Colorado 80225-0165

IN REPLY REFER TO:

APR 1 6 1997

Honorable Bruce Babbitt
Secretary of the Department
of the Interior
Washington, D.C. 20240

Dear Mr. Secretary:

Please find enclosed the report of the Royalty Policy Committee (RPC) (Enclosure 1) with recommendations for revising the valuation procedures for phosphate ore production from Federal leases in the western United States. I urge you to adopt these recommendations.

This report was adopted by the RPC under its voting rules, with nine votes in favor, one opposed, and four abstentions. The RPC is a committee of the Minerals Management Service Advisory Board. The RPC includes representatives of States, which share in mineral revenues from Federal lands, Indian tribes and allottees, whose mineral revenues are collected in trust by the Minerals Management Service, the oil and gas and solid minerals producing industries, who pay royalties, and the public. The membership list is enclosed (Enclosure 2).

We believe that these recommendations would establish a valuation procedure that better represents the market conditions that affect phosphate production. Most Federal phosphate production is internally consumed in vertically integrated industries primarily for the manufacture of fertilizer compounds. The internal consumption of almost all production, and the resulting lack of open market sales, has represented a problem for royalty valuation since the early 1970's. The Department of the Interior has used several different approaches to resolve this problem. Each method that was used had drawbacks. The current methodology, which this recommendation would replace, adopted an indexing methodology using the broad-based Gross Domestic Product, Implicit Price Deflator. Analysis shows that this index has failed to reflect fundamental changes in the phosphate industry over the last 16 years.

In 1981, when the GDP-IPD indexing procedure was adopted, the Department expressly noted that if a better methodology was found in the future it would be considered at that time. The recommended valuation procedure is, in fact, a better valuation procedure because it is related more closely to the marketplace for phosphate production. As such, it would be viewed as more fair by both the phosphate producers and the royalty recipients, such as the State of Idaho.

Moreover, establishing a market-related valuation procedure for Federal phosphate production is consistent with present regulations, which establish value based on marketplace transactions.

Thank you for providing the members of RPC with the opportunity to advise you on these matters, and for your careful consideration of this report.

Sincerely,

Don Hoffman
Chairman, Royalty Policy Committee

Enclosures

bcc: Solicitor of the Interior
Director, Minerals Management Service
Director, Bureau of Land Management
Royalty Policy Committee Members
RM File
RVD Chron (2)
SMVRB (3)

LMS:RMP/RVD:MS-3153:HWincentsen:gms:275-7210:04/04/97:solids:transmit.wpd
Finalized:gms:04/04/97

REPORT AND RECOMMENDATION OF FEDERAL PHOSPHATE VALUE

FOR

PRODUCTION ROYALTY PURPOSES

Recommendations

The following recommendation is, at this time, not a consensus recommendation from the Phosphate Valuation Subcommittee. It is supported by industry and the Minerals Management Service (MMS) and Bureau of Land Management (BLM) representatives; no decision has been made by the Idaho State Lands representative or the Caribou County Treasurer representative.

1. The current indexing procedure, which utilizes the Gross Domestic Product - Implicit Price Deflator (GDP-IPD) to annually adjust the phosphate value for royalty calculation purposes, should be discontinued.

2. The phosphate value should be determined using a weighted composite index methodology having the following indicies and weights:

   - The Chemical and Fertilizer Mineral Mining Index (Standard Industry Code (SIC) 147), weighted at 50 percent,

   - The Phosphate Rock Index (SIC 1475), weighted at 25 percent, and

   - The Phosphatic Fertilizers (SIC2874), weighted at 25 percent.

   The phosphate unit value would be recalculated annually, as under the existing indexing procedure.

3. This recommended methodology should continue for 5 years, at which time the methodology and the values determined thereunder will be examined to assure there is a continued relationship to the marketplace.

4. The valuation methodology applies only to Federal phosphate production; there is no Indian phosphate production. State or fee phosphate leases are also unaffected (unless the parties to the lease elect to use the Federal valuation methodology).

5. The recommended composite indexing method will not be retroactive. The methodology will become effective if and when approved by the Department.

Problem Statement

1. There is a lack of open market (arm's-length) sales of phosphate ore, the product on which the value for royalty purposes is based. The Western phosphate industry has been, and

continues to be, characterized by vertically integrated companies. These companies consume virtually all phosphate ore production internally, to make a variety of downstream refined phosphate based fertilizers and elemental phosphorus.

2. About 16 years have elapsed since the Department of the Interior (Department) adopted an indexed valuation adjustment method using the Gross Domestic Product - Implicit Price Deflator (GDP-IPD). As expected, the P_2O_5 unit value has steadily increased each year, consistent with the use of a broad-based measure of price changes such as the GDP-IPD.

3. Comparison of the Federal GDP-IPD indexed-valuation methodology to the market shows that its use has failed to accurately track the relative rise and fall of a single product or market such as that for phosphate rock. Therefore, a valuation problem currently exists.

4. The valuation problem will grow with continued use of the GDP-IPD. The continued use of the GDP-IPD will increase the P_2O_5 unit value at the same rate as the IPD deflates the GDP. This is not a true reflection of changes in the phosphate marketplace because it does not take into consideration the changing phosphate product consumptive pattern and the ancillary price impacts on phosphate ore.

Issue Analysis

Valuation Prior to 1975

- Prior to 1975, phosphate royalty payments were based on a lease-imposed minimum rate of \$0.25 per ton[1]. (See Enclosure 1 for table and graph of historical Federal valuation of western phosphate production.)

Valuation from 1975 to 1981

- In the early 1970's phosphate rock prices rapidly increased, surpassing the \$5 per ton benchmark price for application of the 5-percent royalty rate. (See Enclosure 2 for table and graph of phosphate rock prices.)
- In 1974, an audit by the Department (the Office of Audit and Investigation) concluded that the Federal Government was not following its statutory mandate to collect not less than 5 percent of the gross value.

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[1] Federal phosphate leases have historically carried lease terms requiring royalty to be paid on the greater of either \$0.25 per ton or 5 percent of the gross value. Under this term, the 5 percent rate applies whenever the gross value exceeds \$5 per ton. Prior to 1975, the value was assumed to be less than \$5 per ton and thus the royalty rate remained fixed at \$0.25 per ton.

- Required use of the ad valorem royalty rate introduced a new problem: The western phosphate industry is, for the most part, a vertically integrated industry internally consuming phosphate lease production in either electric furnaces to make elemental phosphorus or in wet acid plants to make a variety of phosphate-based fertilizers. The absence of significant quantities of open market sales was problematic since the ad valorem royalty was based on the unit sale or contract price obtained under bona fide arm's-length sales.

- Following extensive analysis over several years, then Secretary of the Interior Thomas S. Kleppe decided on May 13, 1976 (Enclosure 3), to use a net back valuation methodology wherein open market (arm's-length) sales of beneficiated phosphate rock would be adjusted for beneficiation and related costs to arrive at the gross value of mine output, which is phosphate ore. This "Kleppe Method" valuation procedure was made retroactive to January 1, 1975. (See Enclosure 4 for Kleppe Formula methodology.)

- The Kleppe Method was difficult to administer. In an advance notice published in the Federal Register at 45 F.R. 74065 on November 7, 1980 (Enclosure 5), the Department stated that there were two problems related to the continued use of the Kleppe Formula:

> During the period 1975 through 1979, arm's-length sales, both long term sales and spot sales, were of sufficient magnitude to establish a realistic product value. In 1980, however, arm's-length sales diminished to less than 1 percent of total mine production in the western phosphate region.
>
> * * * * *
>
> Also, this method was cumbersome, as it required the phosphate lessees to submit all their cost and sales data. These data, in turn, were audited by the Department and, after several months, a gross value was established. In most years, the royalty assessment was not determined until after the mining year was completed.

- To overcome these problems, the Department recommended adoption of an index adjustment methodology; however, no specific index was recommended. The Department also solicited proposals on other methods for valuing phosphate ore.

Valuation from 1981 to the Present

- Effective January 1, 1981, the Department adopted the index-based adjustment for P_2O_5 unit value determination in a Federal Register release at 46 F.R. 9210, dated January 28, 1981 (Enclosure 6) (for an explanation of the GDP-IPD, please see Enclosure 7). The index selected was the Gross National Product-Implicit Price Deflator, as published by the

U.S. Department of Commerce, Bureau of Labor Statistics. In selecting that index, the Department left open the question of future valuation procedures, stating:

> If a better method is developed that more accurately reflects the value of phosphate rock, it will be considered at that time.

- The MMS has routinely recalculated each year's value and provided that value to industry. By 1995, MMS recognized that the GDP-IPD adjustment mechanism was developing values that didn't appear to correlate with phosphate market changes. Moreover, if allowed to continue, the GDP-IPD adjusted phosphate value would eventually become completely unrelated to the marketplace. The Phosphate Study Group and later, the Phosphate Valuation Subcommittee, was formed to examine whether an alternative valuation methodology could be agreed upon to replace the GDP-IPD index. The chronology of the Phosphate Valuation Subcommittee is found as Enclosure 8. The principal participants of the Phosphate Subcommittee is found as Enclosure 9.

Details of Valuation Proposal

- Use Producer Price Indexes (PPI):
  - PPI measures average changes in selling prices received by domestic producers (import prices are excluded)
  - Emphasizes the reporting of realistic transaction prices, including discounts, premiums, rebates, allowances, etc. rather than list or book prices. No "futures" are used.
  - Prices reflect "point of production," exclusive of transportation.
- No single index best represents the western phosphate industry. However, a composite of PPI's that are closely related to the phosphate mining industry provide a measurement that's better than the existing GDP-IPD index:
  1. The Chemical and Fertilizer Minerals Mining Index represents the output of basic mining for phosphate, sodium, borates, and potash. This is the principal index for measuring mining output, excluding nonfuel and nonmetals. Also, these minerals are produced extensively in the western United States, therefore, this index is responsive to changes in western mine production.
  2. The Phosphate Rock Index represents beneficiated rock prices, nationwide. The nationwide output of phosphate rock is dominated by Florida's production; therefore, even though this index would seem to be most closely allied with the western phosphate producers, it cannot represent the single best indicator of Idaho production, particularly since almost all of the Idaho phosphate production is not sold on the open market.

3. The Phosphatic Fertilizers Index emphasizes price movements of downstream phosphate-based fertilizers that were manufactured from phosphate rock. All phosphate producers do not make fertilizers — some are elemental phosphorus producers whose downstream refined products are not used in the fertilizer industry. Therefore, this index, in itself, does not represent downstream price changes for all phosphate producers.

The weighted composite index methodology is shown in Enclosure 10. As under the existing methodology, the unit value of phosphate ore is determined with reference to the prior year's index value compared to the base year value. For example,

Existing methodology:

$$\text{1996 Phosphate Unit Value} = \text{1979 Base Year Unit Value} \times \frac{\text{1995 GDP-IPD}}{\text{1979 GDP-IPD}}$$

$$\text{1996 Unit Value} = \$0.337/\text{Unit} \times \frac{107.5}{55.3} = \$0.6551/\text{Unit}$$

Revised methodology:

$$\text{1996 Phosphate Unit Value} = \text{1987 Base Year Unit Value} \times \frac{\text{1995 Composite Index}}{\text{1987 Composite Index}}$$

$$\text{1996 Unit Value} = \$0.5038 \times \frac{111.98}{96.90} = \$0.5822/\text{Unit}$$

- Do not retroactively correct or change royalty payments from past years; however, compare the weighted composite index value retroactively to the GDP-IPD based value to form a basis for correcting for actual phosphate market trends. Using this comparison technique, 1987 forms a new base value year, when the GDP-IPD indexed value and the composite indexed (market based) value coalesced. (See Enclosure 11 for graph of comparison.)

- Do not apply a one-time Kleppe Formula (net back) to determine actual industry production costs and revenues for the same reasons that were acknowledged by the Department in 1980:

  - There is a continued lack of bona fide open market sales from which to base overall revenues and prices;

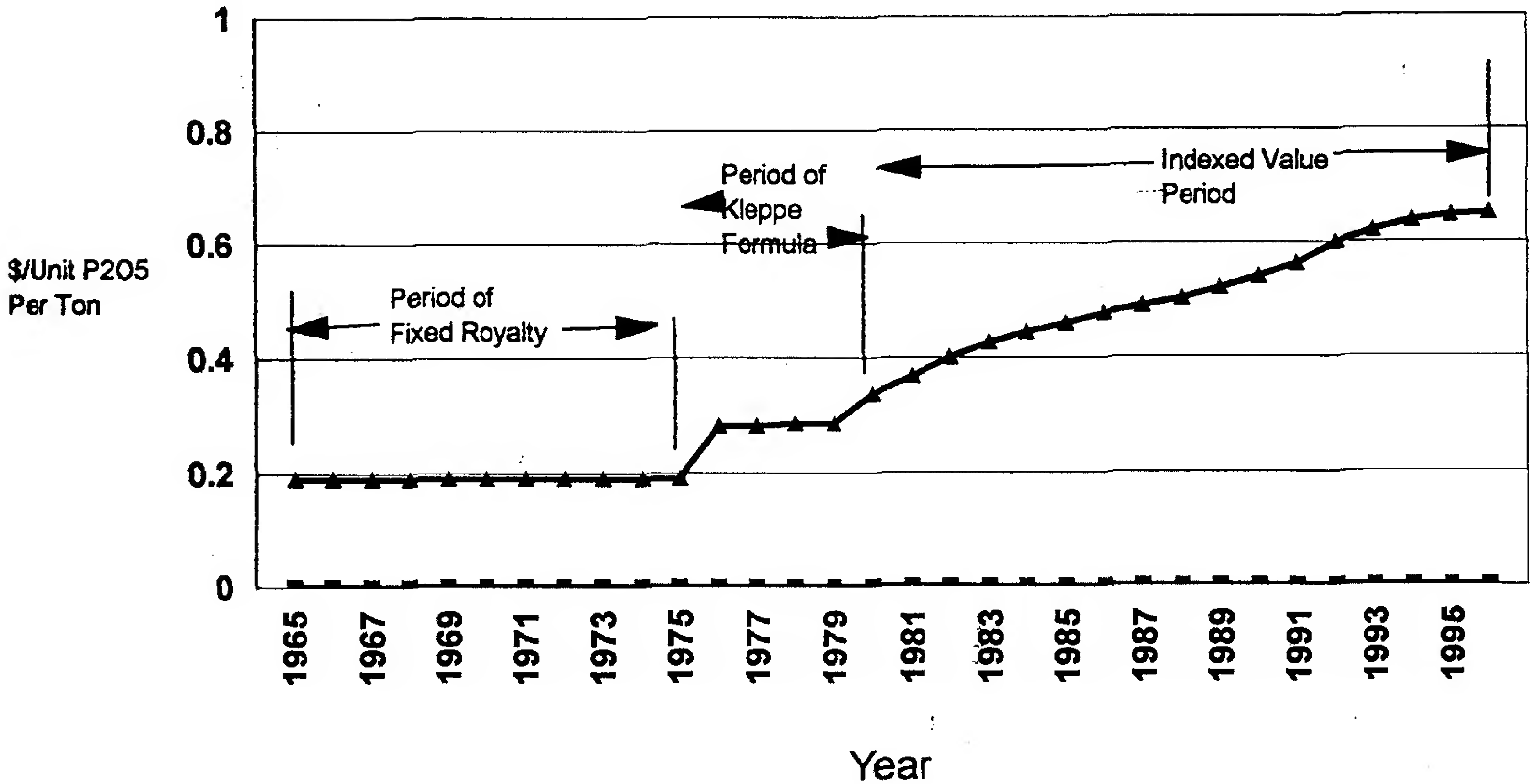
  - The process takes too long and is cumbersome, entailing extensive data collection and consuming audit resources.

- Reexamine the phosphate value every 5 years, to ensure that the new valuation methodology is, in fact, reflecting changes in the western phosphate industry. If the revised valuation methodology is accepted in 1997, it will be reviewed in 2001.

- Revenue impact is difficult to predict because the selected indexes are relatively more volatile than the GDP-IPD and they will follow market trends. Had this index been adopted for 1996 the impact would have been an annual reduction in royalty of about $444,000, or about 10.6 percent.

Enclosure 1

Federal Phosphate Valuation Over Time



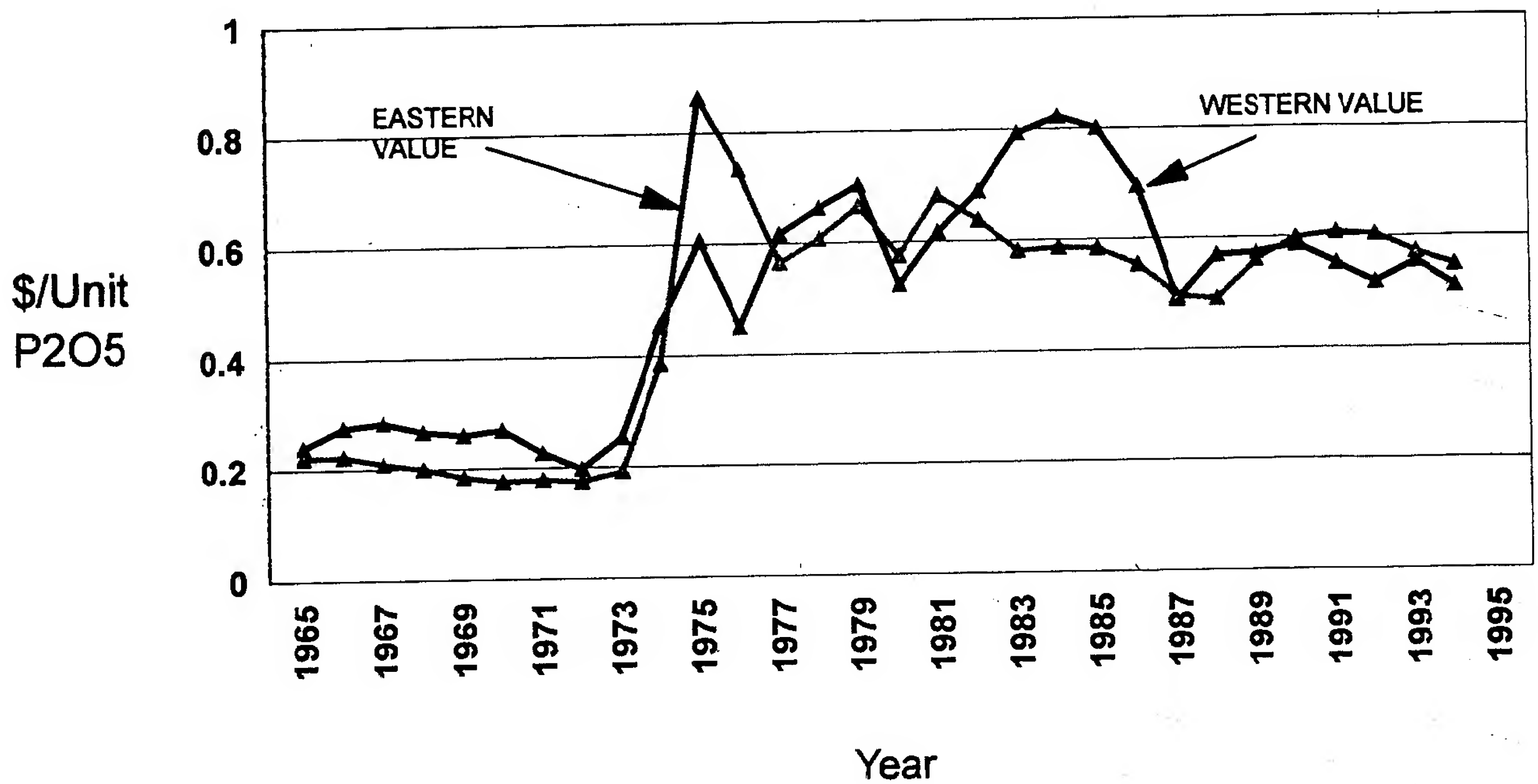
Enclosure1

Federal Phosphate Unit Values
1965 - 1996

Year	Unit Value
1965	$0.1914
1966	$0.1914
1967	$0.1914
1968	$0.1914
1969	$0.1914
1970	$0.1914
1071	$0.1914
1972	$0.1914
1973	$0.1914
1974	$0.1914
1975	$0.1914
1976	$0.2820
1977	$0.2820
1978	$0.2860
1979	$0.2860
1980	$0.3370
1981	$0.3672
1982	$0.4011
1983	$0.4272
1984	$0.4447
1985	$0.4606
1986	$0.4787
1987	$0.4909
1988	$0.5038
1989	$0.5218
1990	$0.5415
1991	$0.5638
1992	$0.6011
1993	$0.6211
1994	$0.6380
1995	$0.6478
1996	$0.6511

Enclosure 2

PHOSPHATE ROCK PRICE MOVEMENT OVER TIME



Western and Eastern Phosphate Unit Values 1965 - 1994

Year	Western Value	Eastern Value
1965	$0.2412	$0.2214
1966	$0.2768	$0.2235
1967	$0.2847	$0.2097
1968	$0.2689	$0.2003
1969	$0.2615	$0.1845
1970	$0.2706	$0.1757
1971	$0.2272	$0.1793
1972	$0.1985	$0.1745
1973	$0.2553	$0.1924
1974	$0.4564	$0.3879
1975	$0.6080	$0.8643
1976	$0.4519	$0.7353
1977	$0.6181	$0.5666
1978	$0.6644	$0.6089
1979	$0.7043	$0.6662
1980	$0.5251	$0.5764
1981	$0.6180	$0.6833
1982	$0.6906	$0.6389
1983	$0.7942	$0.5822
1984	$0.8228	$0.5873
1985	$0.8012	$0.5857
1986	$0.6962	$0.5546
1987	$0.4915	$0.4978
1988	$0.5703	$0.4923
1989	$0.5746	$0.5617
1990	$0.5886	$0.6002
1991	$0.5544	$0.6093
1992	$0.5199	$0.6055
1993	$0.5567	$0.5734
1994	$0.5124	$0.5502

Enclosure3

Secretarial decision of May 13, 1976

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

Heppe decision Does Not apply to Indian

Memorandum

To: Solicitor
Assistant Secretary, Fish and Wildlife and Parks
Assistant Secretary, Administration
Assistant Secretary, Program Development and Budget
Assistant Secretary, Energy and Minerals
Assistant Secretary, Land and Water Resources
Commissioner, Indian Affairs
Director, Geological Survey
Director, Bureau of Mines
Director, Bureau of Land Management

From: Executive Secretary

Subject: Request for Recommendations and Comments on Methods for Calculating Royalty on Phosphate Leases

Attachment: Secretarial Issue Document on Decision for Calculating Phosphate Royalties dated May 10, 1976

Enclosed is a Secretarial Option Paper prepared by the Deputy Assistant Secretary - Energy and Minerals for consideration by the Secretary at a decision meeting scheduled for Thursday, May 13, 1976 at 11:00 a.m. Your recommendations concerning the Secretary's decision on the following issues are requested by no later than noon, Wednesday, May 12, 1976.

1. How should profits be allocated between mining and beneficiation processes in order to arrive at a gross value of mine output?

   Option A - The Proportion of Profits Method
   Option B - The Assigned Profits Method ✓

2. Which price of beneficiated rock should be used in estimating gross value of sales of beneficiated rock?

   Option A - All Reported Sales
   Option B - Reported Sales as Adjusted
   Option C - The Bureau of Labor Statistics (BLS) Phosphate Rock Index

3. What method should be used to assure that the price (estimated in 2, above) remains current through time?

Option A - Recompute Price Periodically
Option B - Update Base Period Price with BLS Index for Phosphate Rock with checking of accuracy of Base Price every three years.

Comments regarding the above issues, and/or additional or different issues may be submitted concurrent with your recommendations. This office will compile all recommendations and comments for presentation to the Secretary by COB Wednesday. Copies of the compilation will be distributed to addressees of this memorandum at the same time.

for Paul L. Reeves

cc: Under Secretary
Executive Assistant to the Secretary
Assistant to the Secretary
Assistant Secretary, Congressional Liaison
Director, Office of Communications

Kleppe Formula
Unit Value Determination 1979

Gross Value of Beneficiated Rock = \$20.00/Beneficiated Ton

Less	
Mining Costs	5.333/Beneficiated Ton
Processing Costs	5.000/Beneficiated Ton
Total Costs	10.333/Beneficiated Ton

Total Profit = Gross Value - Total Costs = \$20 - \$10.333 = \$9.666

Mining Profit (Proportioned) = $\frac{5.333}{10.333}$ = \$4.989/Beneficiated ton

Ore-Equivalent Value of Beneficiated Rock = \$5.333 + \$4.989
= \$10.322

Crude Ore Value = \$10.322 x 0.75(dilution factor) = \$7.74

Value per Unit P_2O_5 = $\frac{\$7.74}{22.9}$ = \$0.337

Enclosure 5

clude the authority delegated by the Assistant Secretary for Health to the Administrator, Alcohol, Drug Abuse, Mental Health Administration under section 322(e) of the Public Health Service Act (42 U.S.C. 249(e)) to make grants and contracts to private and non-profit organizations for the purpose of providing mental health care for the Haitian/Cuban Initiative, insofar as the authority applies to the functional responsibility assigned to the Alcohol, Drug Abuse, and Mental Health Administration.

2. Delegation from the Assistant Secretary for Health to the Administrator, Alcohol, Drug Abuse, and Mental Health Administration, *with authority to redelegate*, of authority under section 322(e) of the Public Health Service Act, (42 U.S.C. 249(e)), as amended, to make grants and contracts to private and non-profit organizations for the purpose of providing mental health care for the Haitian/Cuban Initiative, insofar as the authority applies to the functional responsibility assigned to the Alcohol, Drug Abuse, and Mental Health Administration.

3. Redelegation from the Administrator, Alcohol, Drug Abuse, and Mental Health Administration, to Director, National Institute of Mental Health, without authority to redelegate, of authority under section 322(e) of the Public Health Service Act (42 U.S.C. 249(e)), as amended, insofar as the authority applies to the functional responsibilities of the National Institute of Mental Health to make grants and contracts to private and non-profit organizations. The delegation to the Director, National Institute of Mental Health does not include the authority delegated by the Administrator, Alcohol, Drug Abuse, and Mental Health Administration to the PHS Regional Health Administrators to make grants and contracts to existing community mental health centers within their respective jurisdictions, insofar as the authority applies to their functional responsibility, for the purpose of providing mental health care for the Haitian/Cuban Initiative.

4. Redelegation from the Administrator, Alcohol, Drug Abuse, and Mental Health Administration, to the PHS Regional Health Administrators, without authority to redelegate, of authority under section 322(e) of the Public Health Service Act (42 U.S.C. 249(e)), as amended, to make grants and contracts to existing community mental health centers within their respective jurisdictions, for the purpose of providing mental health care for the Haitian/Cuban Initiative, insofar as the authority applies to the Regional Health Administrators functional responsibilities.

Previous delegations to the Administrator, Health Services Administration, of the authority under section 322 of the Public Health Service Act have been superseded. Provision has been made for previous redelegations within the Health Services Administration to remain in effect pending further redelegations.

The above delegations and redelegations became effective on October 6, 1980.

Dated: October 30, 1980.

Jack N. Markowitz,

Acting Director, Office of Management.

[FR Doc. 80-34733 Filed 11-6-80; 8:45 am]

BILLING CODE 4110-85-M

DEPARTMENT OF THE INTERIOR

Geological Survey

Computation of Royalties on Phosphate Production on Public Lands

AGENCY: *Department of the Interior, Geological Survey.*

ACTION: Advance notice of proposed adoption of a new method of computing royalty payments to the Federal Government on phosphate rock mined on public lands.

SUMMARY: This notice solicits comments concerning a proposal to revise the method for determining mine values for the purpose of computing royalties on phosphate rock produced on Federal leases in the States of Idaho, Montana, Utah, and Wyoming.

DATE: Written comments due by December 8, 1980.

ADDRESS: Written comments should be addressed to: Andrew V. Bailey, Chief, Branch of Solid Minerals Management, U.S. Geological Survey, National Center, MS 650, Reston, Virginia 22092.

FOR FURTHER INFORMATION CONTACT: Barney Brunelle, District Mining Supervisor, U.S. Geological Survey, 150 S. Arthur Street, P.O. Box 1610, Pocatello, Idaho 83201, Telephone No: 208-236-6350.

SUPPLEMENTARY INFORMATION: Pursuant to Section 10 of the Mineral Leasing Act of February 25, 1920 (41 Stat. 440), as amended by the Act of June 3, 1948 (62 Stat. 289; 30 U.S.C. 212), and 30 CFR 231.61, Value Basis for Royalty Computation, the Geological Survey proposes to adopt a new method for determining mine values for computing royalties on phosphate rock produced on Federal leases in the States of Idaho, Montana, Utah, and Wyoming.

On May 13, 1976, the Secretary of the Interior adopted a method of computing royalty payments to the Federal Government for phosphate rock mined on Federal lands. The method adopted was based on the average arm's-length sales price received for beneficiated/calcined phosphate rock with deductions allowed for trasportation and processing. The "proportion of profit" attributable to mining was included in the gross value of the product at the mine on which the royalty was assessed.

During the period of 1975 through 1979, arm's-length sales, both long-term sales and spot sales, were of sufficient magnitude to establish a realistic product value. In 1980, however, arm's-length sales diminished to less than 1 percent of total mine production in the western phosphate region. With such limited sales data on which to base a value, the suitability of the method adopted in 1976 is extremely questionable. Therefore, it is proposed that the method adopted on May 13, 1976, expire at the end of 1980.

With the adoption of this proposal, it will be necessary to develop a new method for computing mine value for royalty purposes for the 1981 production year and succeeding years.

Under existing Federal phosphate lease terms, the Secretary of the Interior may establish reasonable minimum value for the purpose of computing royalty on any of the deposits presently leased. This takes into consideration the *highest price paid for a part or a* majority of the production of comparable products from the same general area, the price received by the lessee posted prices, mining costs, and other relevent economic factors.

Most of the phosphate mined on Federal lands in the West is from the State of Idaho and includes all of the phosphate rock mined on Indian lands which is located within the same general area. In early 1980, a valuation method for phosphate rock mined form the Fort Hall Indian Reservation in Idaho was adopted following negotiations between the Shoshone-Bannock Tribe, the Bureau of Indian Affairs, and the producing companies. These negotiations were based on studies conducted to determine the value of mined phosphate, and therefore represent the best information available to establish reasonable values for the purpose of computing royalty.

The above method now in use for assessing royalty on production of phosphate form Indian lands in Idaho consists of an established base value for the 1979 production year. This value was set at $.337 for each unit of P_2O_5. For

each dry ton (2,000 pounds) of ore, the value is the percent grade multiplied by $0.337. For example, 27 percent P_2O_5 ore would be valued at $9.099 per ton.

For succeeding years, the 1979 value is indexed to the annual average of the Consumer Price Index-Urban (CPI-U). Utilization of the CPI-U was the result of the negotiated settlement, with full recognition that the selected index bore no relationship to mined phosphate.

While the method adopted by the Secretary in 1976 utilized actual sales and cost data specific to the Idaho phosphate operations, its utility is no longer viable because of diminished arm's-length sales. Also, this method was cumbersome, as it required the phosphate lessees to submit all their costs and sales data. These data, in turn, were audited by the Department and, after several months, a gross value was established. In most years, the royalty assessment was not determined until after the mining year was completed. Utilization of an indexing system will preclude these annual or periodic requirements and the royalty cost will be known prior to mining.

The proposed method will adjust the unit value of P_2O_5 annually, based on the index selected. The unit value for each calendar year will be adjusted annually by multiplying $0.337 by the average index for the preceding calendar year and dividing the product by the average annual index for 1979. The resultant unit value is multiplied by the percent P_2O_5 in the crude ore, to determine mine value. This method of determining crude ore value would apply to crude phosphate ore removed form Federal leases beginning in calendar year 1981.

No specific index has been selected. Although the CPI-U was agreed upon for the Fort Hall Indian Reservation lands, no specific index has been selected for use on Federal lands. For this reason, comments are requested with respect to: (1) selection of an index and (2) proposals for other methods of phosphate ore valuation.

Dated: November 3, 1980.

Don E. Kash,

Chief, Conservation Division.

[FR Doc. 80-[illegible] Filed [illegible] 8:45 am]

BILLING CODE 4310-[illegible]

Bureau of Land Management

Arizona; Announcement of Final Intensive Wilderness Inventory Decision

I hereby announce my final intensive inventory decision under the authority of Sec. 603 of the Federal Land Policy and Management Act (FLPMA) and in accordance with the guidelines in the September 27, 1978, BLM *Wilderness Inventory Handbook* and Organic Act Directive No. 78-61, Change 3.

The proposed intensive inventory decision was published in the May 30, 1980, Federal Register page 36525, which initiated a 90-day public comment period. A supplement to the May 30 announcement, which amended the announced wilderness inventory, was published in the July 24, 1980, Federal Register, page 49334.

These Federal Register notices stat[e] that the public comment period was t[o] end on August 28, 1980 and gave the following State Wilderness Study Ar[ea] units and acreages:

Districts	Acres intensive inventoried	Acres proposed for WSA	(Units)	Ac[res] propo[sed to] be d[ropped]
Arizona Strip	1,576,672	459,018	(25)	1,0[illegible]
Phoenix	1,657,061	907,624	(35)	[illegible]
Safford	511,333	191,731	(18)	[illegible]
Yuma	630,455	337,965	(18)	[illegible]
State	4,435,541	1,920,338 (96 WSA's)		2,5[illegible]

Thirteen public meetings were held throughout Arizona during the 90-day comment period. Verbal and written comments concerning the wilderness characteristics of the WSA units were filed in the permanent documentation files. Those comments which provided new information were field-checked and verified. Specific comments which disagreed with BLM's judgment of the application of the wilderness criteria mandated by Sec. 603 of the FLPMA of 1976 were also field checked. The comments received during the public comment period resulted in WSA boundary adjustments, dropping some recommended WSAs from further wilderness consideration and adding other WSA units which were proposed to be released from Sec. 603 of FLPMA.

Public comments received during this period are on file in the BLM District offices responsible for management of the specific inventory unit in questic[n]. WSA final decision maps and summ[ary] narratives are available from any Arizona BLM office listed at the enc[l] [of] this notice.

The WSA final decision is set fort[h in] the following tables which list each inventory unit. Approximately 1,941[,] acres (94 units) have been determin[ed to] possess wilderness characteristics [as] set forth in Sec. 2(c) of the 1964 Wilderness Act and are WSAs. The remaining areas, consisting of abou[t] 2,467,898 acres, have been determin[ed] not to possess wilderness characteristics as set forth in Sec. 2[(c) of] the 1964 Wilderness Act and is the[refore] dropped from further consideration under the wilderness review proce[ss] and released from the constraints [of] interim management as specified i[n] 603(c) of the FLMPA of 1976.

Wilderness Study Area Final Decision

Inventory units name	Unit number	Acres intensively inventoried	Acres proposed for WSA	Acres proposed to be dropped	Final WSA acres
Arizona Strip District:	AZ-010-006	26,532		14,558	
Ferry Swale	AZ-010-006A		10,170		10,170
Judd Hollow	AZ-010-006B		1,226		1,226
Paria Rim	AZ-010-006C		106		106
Cedar Mtn.	AZ-010-006D		12		12
	AZ-010-006/019	136,659		5,021	
Paria Plateau	AZ-010-006A/19		124,428		124,428
Overlook	AZ-010-0019		7,548		7,548
Emmett Wash	AZ-010-009	25,856	12,913	12,943	12,913
House Rock Valley	AZ-010-010	15,437	0	15,437	0
Buffalo Ranch	AZ-010-011	25,139	0	25,139	0
North Canyon	AZ-010-012	6,550	0	6,550	0
Anderson Ranch	AZ-010-014	6,153	0	6,153	0
Round Valley	AZ-010-015	5,708	0	5,708	0
Big Ridge	AZ-010-016	6,812	0	6,812	0
Sand Hills	AZ-010-017	17,408	0	17,408	0
Coral Valley	AZ-010-018	9,164	0	9,164	0
Kaibab	AZ-010-020	11,890	0	11,890	[illegible]
Fine Hollow Canyon	AZ-010-021	11,035	0	11,035	[illegible]
Buckskin Wash	AZ-010-022	9,054	0	9,054	[illegible]

Enclosure 6

...101, on or before February 27, 1981, ... refer to this notice number.

Persons making inquiries are put on notice that the making of an inquiry shall not serve to make any persons parties of record in the proceeding.

(Sec. 201(a)(4), Federal Property and Administrative Services Act, 40 U.S.C. 481(a)(4)).

Dated: January 16, 1981.

Ray Kline,

Acting Administrator of General Services.

[FR Doc. 81-3006 Filed 1-27-81; 8:45 am]

BILLING CODE 6820-AM-M

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Human Development Services

Advisory Board on Child Abuse and Neglect; Meeting

Notice is hereby given, pursuant to Public Law 92-463, of the meeting of the Advisory Board on Child Abuse and Neglect on January 30, 1981, from 9:30 a.m. to 3:00 p.m., Rooms 339A & 337A, Hubert H. Humphrey Building, 200 Independence Avenue, S.W., Washington, D.C.

The Advisory Board on Child Abuse and Neglect was established by the Department of Health and Human Services to assist the Secretary in coordinating programs and activities related to child abuse and neglect planned, administered, or assisted by the Federal agencies whose representatives are members of the Advisory Board. The Advisory Board shall also assist the Secretary in the development of Federal standards for child abuse and neglect prevention and treatment programs and projects.

At this meeting the Advisory Board will discuss the Oversight Hearings before the House subcommittee on Select Education; the Findings of the National Study of the Incidence and Severity of Child Abuse and Neglect; plans for the Fifth National Conference on Child Abuse and Neglect; and the Annual Report to the Secretary.

Further information on the Advisory Board meeting may be obtained from Ms. Arlene Taylor, National Center on Child Abuse and Neglect, Room 3754, Donohoe Building, P.O. Box 1182, Washington, D.C. 20013, Telephone (202) 755-8208.

Advisory Board meetings are open for public observation.

Failure to give 15 days notice is due to the uncertainty of knowing whether funds would be available to provide travel for the public members.

Dated: January 22, 1981.

Mamie J. Welborne,

Human Development Services Committee, Management Officer.

[FR Doc. 81-3048 Filed 1-27-81; 8:45 am]

BILLING CODE 4110-92-M

DEPARTMENT OF THE INTERIOR

Geological Survey

Computation of Royalties on Phosphate Production on Western Public Lands

AGENCY: Department of the Interior Geological Survey.

ACTION: Adoption of method of computing royalty payments to the Federal Government on phosphate rock mined on western public lands.

SUMMARY: This notice announces the adoption of a new method for determining mine values for the purpose of computing royalties on phosphate rock produced on Federal leases in the States of Idaho, Montana, Utah, and Wyoming.

SUPPLEMENTARY INFORMATION: By notice published in the Federal Register on November 7, 1980 (Vol. 45, No. 218, p. 74065 and 74066), it was proposed that the method utilized for determining value for phosphate rock mined on Federal lands that had been adopted on May 13, 1976, by the Secretary of the Interior be replaced by a new method. The new method proposed in the notice was to adopt the value of \$0.337 for each unit of P_2O_5 mined. (Each unit represents 1 percent of P_2O_5 in a ton of phosphate rock.) This is the same base value that is currently utilized for phosphate mined on Indian lands in Idaho. The proposed new method would adjust the unit value of P_2O_5 annually based on an index. The Consumer Price Index-Urban (CPI-U) is the index currently used for adjusting unit value of phosphate rocks mined on Idaho Indian lands. However, no specific index was proposed for use on Federal lands. The notice requested comments be made with respect to: (1) selection of an index and (2) proposals for other methods of phosphate ore valuation.

Comments

Three comments were received on the method for valuing western phosphate rock at the mine.

One commentor stated that the Department must demonstrate that less than 1 percent of the 1980 sales are arms-length sales, as our previous notice had stated. This comment was not adopted since it is not relevant to the index or method to be used. The U.S. Geological Survey (USGS) statements in this regard in the original notice were only for information and not directly related to the method of computing royalties.

Another commentor suggested that either the Gross National Product-Implicit Price Deflator (GNP-IPD) or the CPI-U be used to adjust the unit value of phosphate rock. It was also suggested that if a lessee had sufficient arms-length sales that the proportional profit method should continue to be used by those lessees. The suggestion to use the GNP-IPD index was adopted, but the second suggestion for continued use of the proportional method was not adopted since different lessees in the same area mining similar grade ore would be using different methods to determine value of phosphate rock.

The third commentor recommended that the GNP deflation be used as an index for adjusting the value of phosphate rock for royalty purposes, instead of the CPI-U since the GNP-IPD more accurately reflects inflation because it covers the prices of all goods and services. We agree with this reasoning and have adopted the use of the GNP-IPD as the most appropriate index. The commentor also recommended that, at some future date, the USGS consider an additional formula to solely reflect fluctuation in the western phospate market. If a better method is developed that more accurately reflects the value of phosphate rock, it will be considered at that time.

Method of Computation of Royalties on Phosphate Production on Western Public Lands

The new method of calculating royalties is effective as of January 1, 1981, and will utilize the base value of \$0.337 for each unit of P_2O_5 mined. The base unit value of \$0.337 is indexed to the average annual GNP-IPD index for 1979, as published by the U.S. Department of Commerce, Bureau of Economic Analysis.

The unit value for each calendar year will be adjusted annually by multiplying \$0.337 by the average annual GNP-IPD index for the preceding calendar year and dividing the product by the average annual GNP-IPD index for 1979. This will establish the unit value for computing royalties for the current year's production. For example, the unit value of phosphate rock production for calendar year 1981 will be \$0.337 multiplied by the 1980 annual average of the GNP-IPD index; this product will be

divided by the GNP-IPD for 1979, which is 165.46.

Royalties due the United States on each month's production will be computed as follows: The unit value, as derived above, rounded to the nearest hundredth of a cent, will be multiplied by the units of P_2O_5 in a dry short ton of ore rounded to two decimal places (a unit of P_2O_5 is equivalent to 1 percent P_2O_5 in a ton of ore). This figure is then multiplied by the tons of the ore shipped from the mine during the month. To determine the amount of royalties to be paid, this figure is multiplied by the percentage royalty required under the lease agreement.

This method for establishing reasonable values for phosphate rock at the mine will be used for all phosphate production from Federal leases in the States of Idaho, Montana, Utah, and Wyoming.

Dated: January 18, 1981.

John J. Dragonoeff,

Deputy Division Chief—Onshore, Minerals Regulation.

[FR Doc. 81-3042 Filed 1-27-81; 8:45 am]

BILLING CODE 4310-31-M

Bureau of Indian Affairs

[INT DEIS 81-4]

Mount Tolman Proposed Open Pit Copper—Molybdenum Mine; DEIS Availability

AGENCY: Bureau of Indian Affairs, Interior.

SUMMARY: Pursuant to Section 102(2)(c) of the National Environmental Policy Act of 1969, the Department of the Interior has prepared a Draft Environmental Statement for the proposed open-pit copper-molybdenum mine on the Colville Indian Reservation, Ferry County, Washington.

The proposed action is the approval by the Department of the Interior of a lease of Colville Tribal lands for the purpose of mining copper and Molybdenum. The lease area is entirely located on the Colville Reservation, Ferry County, northeastern Washington. The proposed project contemplates open-pit mining of 900 million tons of low grade copper and molybdenum ore from the Mt. Tolman area over a period of 43 years at a production rate of 60,000 tons per day. In addition to the mine the project would consist of (1) a flotation mill plant designed for the production of copper and molybdenum concentrates, (2) waste disposal sites, and (3) support facilities, including a transmission line and a water pipeline.

Copies are available for inspection at the following locations:

Office of Communication, Room 7200, Interior Building, Washington, D.C. 20240, Telephone (202) 343-3171.

Portland Area Office, Bureau of Indian Affairs, Land Services, 1425 N.E. Irving, P.O. Box 3785, Portland, Oregon 97208, Telephone (503) 231-6748.

Colville Agency, Bureau of Indian Affairs, P.O. Box 11, Nespelem, Washington 99155, Telephone (509) 634-4901.

Single copies of the Draft Environmental Impact Statement may be obtained from the Portland Area Office, Bureau of Indian Affairs, Land Services, 1425 N.E. Irving, P.O. Box 3785, Portland Oregon 97208.

Oral and/or written comments will be received at a public hearing held at 7:00 p.m., February 25, 1981, at the City Hall, Coulee Dam, Washington.

Oral and written comments by interested parties are invited. Oral statements by any party will be limited to no more than ten (10) minutes. Written statements can be entered into the record by filing a copy with the presiding officer.

Comments on the Draft Environmental Impact Statement are invited from all interested parties and should be forwarded to the following official no later than March 31, 1981: Bob Taylor, Environmental Coordinator, Portland Area Office, Bureau of Indian Affairs, Land Services, 1425 N.E. Irving, P.O. Box 3785, Portland, Oregon 97208 (Telephone (503) 231-6748).

Dated: January 22, 1981.

Cecil S. Hoffmann,

Special Assistant to Assistant Secretary of the Interior.

[FR Doc. 81-3007 Filed 1-27-81; 8:45 am]

BILLING CODE 4310-02-M

[INT FES 81-4]

Ute Mountain Ute Proposed Strip Coal Mine; EIS Availability

AGENCY: Bureau of Indian Affairs.

SUMMARY: Pursuant to Section 102(2)(C) of the National Environmental Policy Act of 1969, the Department of the Interior has prepared a Final Environmental Statement for the proposed strip coal mine on the Ute Mountain Ute Indian Reservation, San Juan County, Colorado.

The proposed action is the approval by the Department of the Interior of a lease of Ute Mountain Ute Tribal lands for the purpose of mining coal. The lease area is entirely located on the Ute Mountain Ute Indian Reservation, San Juan County, in northwestern New Mexico. The proposed project will consist of a 10 year lease with an option to renew for 10 years. Exploration conducted in the late 1960's has indicated approximately 8-10 million tons of coal that can be stripped-mined.

Copies are available for inspection at the following locations:

Bureau of Indian Affairs, Department of the Interior, Environmental Quality Services, Rm. 4552, Washington, D.C. 20245, Telephone: (202) 343-8248.

Albuquerque Area Office, Bureau of Indian Affairs, Environmental Quality Services, 500 Gold Avenue, S.W., P.O. Box 2088, Albuquerque, New Mexico 87103, Telephone: (505) 766-3374.

Ute Mountain Ute Agency, Bureau of Indian Affairs, Towaoc, Colorado 81334, Telephone: (303) 565-8471.

Colorado State Division of Planning, 524 State Social Services Building, 1575 Sherman Street, Denver, Colorado 80203, Telephone: (303) 892-2178.

Single copies of the Final Environmental Statement may be obtained from the Albuquerque Area Office, Bureau of Indian Affairs, Environmental Quality Service, 500 Gold Avenue, S.W., P.O. Box 2088, Albuquerque, New Mexico 87103.

Dated: January 22, 1981.

Cecil S. Hoffmann,

Special Assistant to Assistant Secretary of the Interior.

[FR Doc. 81-3006 Filed 1-27-81; 8:45 am]

BILLING CODE 4310-02-M

Bureau of Land Management

Alabama; Availability of Final Southern Appalachian; Environmental Impact Statement

AGENCY: Bureau of Land Management, Interior.

ACTION: Notice.

SUMMARY: Pursuant to Section 102(2)(C) of the National Environmental Policy Act of 1969, notice is hereby given that the Bureau of Land Management (BLM Department of the Interior, has prepar a final environmental impact statemer (EIS) for the proposed development of Federal coal resources in the Alabama subregion of the Southern Appalachia coal Production Region. Copies of the final EIS are available to the public at the addresses provided below.

In addition, in accordance with 43 CFR 3420.6-2, BLM is issuing a call fo submission to the BLM of written surface owner consents given by qualified surface owners that would permit mining of Federal coal on the identified tracts where the Federal c

Enclosure 7

The Gross Domestic Product - Implicit Price Deflator

The Implicit Price Deflator (IPD) is the ratio of current-dollar Gross Domestic Product (GDP) to constant-dollar GDP with the decimal point shifted two places to the right.

For example, for the 3rd Quarter 1994:.

Current \$ = 6791.7

Constant \$ = 5367.0

$$\frac{6791.7}{5367.0} = 1.2654555$$

Move the decimal two places to the right to get 126.5, which is the GDP-IPD for 3rd Quarter 1994.

Although used by many businesses to measure the effects of inflation, the Bureau of Economic Analysis, Department of Commerce, states that it is not an inflation index. The GDP-IPD represents a different kind of an index, as indicated by the term "implicit." The GDP measures total expenditures in an economy, including personal consumption, government expenditures, investment expenditures and so on. Each of these categories possesses its own inflation index. Therefore, when the sum of the actual (current dollars) expenditures is divided by the sum of the deflated expenditures (constant dollars) the result is the GDP-IPD. The IPD is, thus, not actually used to deflate the GDP, but summarizes the total effect of all inflation indexes. In summary, the IPD is actually a weighted average of each inflation index, with the weights being the proportion (expenditures) of GDP. Expressed alternatively, the IPD not only measures changes in prices but also changes in the composition of the GDP.

Chronology of the Phosphate Subcommittee

March 1995 — The Minerals Management Service contacts the State of Idaho, industry, and the Bureau of Land Management (BLM) asking for expressions of interest to form a study group to examine the Federal phosphate royalty valuation issue.

June 1995 — All parties have responded in the affirmative and the group meets in BLM's Pocatello office. During that meeting, the parties are briefed on: 1) the phosphate valuation issue, 2) the Federal Advisory Committee Act and the relationships of the Royalty Policy Committee (RPC) and the various subcommittees.

February 1996 — In a letter dated February 2, 1996, the RPC Chair notifies the Chair of the Phosphate and Other Leasable Solid Minerals Subcommittee of his decision to segregate the phosphate valuation issue. In doing so, the Phosphate Subcommittee is created.

April 1996 — The Phosphate Subcommittee meets on April 25, 1996, at J.R. Simplot's office in Pocatello, Idaho. Rules for conducting the meeting and for approving recommendations are established. The composition of the Phosphate Subcommittee is modified, with the Caribou County[1] Treasurer substituting for the representative from the State Treasurer's office. Issues to be addressed by the Phosphate Subcommittee are:

- Has the phosphate market changed in the last 15 years? If so, how has it impacted valuation?
- Is the index adjustments using the GDP-IPD accurate? Is there an alternative, more accurate, method of valuing phosphate ore that should replace the GDP-IPD adjustment method?
- Is the value accurate or should it be adjusted?

The Phosphate Valuation Subcommittee agrees to meet again when a proposal is made.

July 1996 — MMS representatives and BLM representatives from Idaho meet on July 23 and 24 with a representative of the Washington Office, BLM for briefing on the purpose of the Phosphate Subcommittee.

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[1] Almost all phosphate mining occurs in Caribou County, Idaho.

November 1996	The Phosphate Subcommittee reconvenes on November 19, 1996, at BLM's Pocatello office to discuss an October 31 written MMS proposal to use a weighted average composite index to adjust the annual unit value for phosphate valuation. The members agree to review the proposal and reconvene in January 1997.
January 1997	The Phosphate Subcommittee reconvenes on January 22, 1997, at BLM's Pocatello office. Industry and BLM concurs with MMS's proposal.

Enclosure 9

Principal Participants
Federal Phosphate Valuation Subcommittee

Name	Organization
Sharon Marray	Idaho Department of State Lands
Roger Kunz	FMC
David Farnsworth	Monsanto
Jon Goode	NuWest Industries, Inc
Roy Bunderson	Rhone-Poulenc
Robert Black	J.R. Simplot
Diane C. Meads	Caribou County Treasurer
Peter Oberlindacher	BLM, Boise
Fred Hagius	BLM, Pocatello
Herb Wincentsen	MMS, Royalty Mgmt. Program
Huai Su	MMS, Royalty Mgmt. Program

Enclosure 10

Composite Index Methodology for Federal Phosphate Valuation

Year	Phosphatic Ferilizer Index	Chem & Fertilizer Mining Index	Phosphate Rock Price Index	Composite index	Composite Index Unit Value
1988	127.30	99.60	81.30	101.95	$0.5301
1989	126.00	104.70	88.20	105.90	$0.5506
1990	115.70	106.70	93.80	105.73	$0.5497
1991	117.90	108.50	96.80	107.93	$0.5611
1992	107.60	108.30	103.70	106.98	$0.5562
1993	97.50	104.30	97.40	100.88	$0.5245
1994	118.60	102.10	94.60	104.35	$0.5425
1995	142.10	103.90	98.00	111.98	$0.5822
Weight Factor	25%	50%	25%		
Base Year Index 1987	111.60	96.40	83.20	96.90	
Base Unit Value (1987)	= $0.5038				

Indexed Phosphate Unit Value